



OFFICE OF THE ASSESSOR City of Burlington

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MEMORANDUM

October 21, 2011

To: Board of Finance
From: John Vickery, City Assessor

Review of the Business Personal Property Tax and Administration

A brief review of the Business Personal Property Tax:

- 769 businesses have been assessed in fiscal year 2012
- Small businesses with less than \$2,500 in value are exempt from tax (City Charter section 81).
- Total appraised value is \$128,558,040
- Taxes raised from the Business Personal Property Tax \$1,123,083
- Calculation: $\$128,558,040 \times 1.2 \text{ factor} \times .01 \times 0.728 \text{ city tax rate} = \$1,123,083$
- Taxes based on the estimated Fair Market Value by the Cost Approach to value method
- Valuation Method: $\text{Cost at time of purchase} \times \text{index factor (inflation factor)} \times \text{percent good} = \text{Fair Market Value}$
- Business Personal Property Tax is revalued each year and values are estimated at 100% of Fair market value. (Real estate was revalued in 2005 and real values have a level of appraisal at 90% of fair market value).
- Approximately \$7,000 of the Assessor's budget is used for Temporary Help with the clerical duties related to the administration of Business Personal Property.

The following municipalities no longer have the business personal property tax. Many of these municipalities had business personal property tax in the past. I was involved in the phase out process in Williston and South Burlington while working as the former Assessor in those municipalities.

Colchester, Essex Town, Essex Village, Milton, Shelburne, South Burlington and Williston

The following local municipalities have business personal property tax.

Hinesburg - is in the process of phasing out the tax by fiscal year 2012.

Winooski has the tax. It is based on Net Book Value. NBV tends to result in lower values than the fair market value method.

Comments and considerations:

The downside of exempting this tax would be a loss of tax revenue. See Estimated Loss of municipal Tax Dollars from Exemption.

Implementation Cost: Preparation of business personal property valuations requires a full time temporary clerk for ten weeks in March through May each year. The cost is around \$7,000 annually. Other staff time is approximately 300 hours each year on administration and implementation at a cost of \$10,000.

Given current staffing and budget the Assessor's staff does the best job it can to fairly implement the tax. All businesses are valued using the same methods and valuation tables. This creates uniformity of values. In addition we will assist businesses with the proper steps to complete the annual Business Personal Property form.

One problem is keeping up with the inventory of businesses that are subject to the tax. Businesses are constantly moving into Burlington, others are moving out of Burlington and some are closing. We need to be notified when this happens. Also, businesses are growing and others are declining.

Given staffing levels auditing of business equipment only occurs when it appears that a business has not reported correctly. The great majority of businesses do not get audited for many years. The lack of auditing allows for inaccurate reporting by businesses. Over time many businesses get careless when reporting.

Several hundred businesses did not return the Business Personal Property form. Our office has to estimate the value of their businesses assets based on past submissions and the value of other similar type businesses.

This table demonstrates the loss of tax revenue in the event that the City Charter section 81 were to change the current exemption of \$2,500 to exemption of businesses with assets less than \$20,000; \$25,000 and \$30,000 in asset value. See chart.

Appraised value less than	Count of Business with less than	% of Total Businesses	Loss of Taxes	% of Total Tax
\$20,000	287	37%	\$24,676	2.2%
\$25,000	331	43%	\$33,496	3.0%
\$30,000	367	48%	\$42,059	3.7%
\$35,000	390	51%	\$48,641	4.3%
\$40,000	418	54%	\$57,908	5.2%
Total of all	769	100%	\$1,123,083	100%

Estimated Loss of Municipal Tax Dollars from Exemption

Distribution Range	# of Accts. in Range	Cumulative Total Accts.	Exemption Level	Loss of Taxes
\$0 to \$5,000	63	63	\$5,000	\$2,128
\$5,001 to \$10,000	89	152	\$10,000	\$5,703
\$10,001 to \$15,000	88	240	\$15,000	\$17,375
\$15,001 to \$20,000	47	287	\$20,000	\$24,676
\$20,001 to \$25,000	44	331	\$25,000	\$33,496
\$25,001 to \$30,000	36	367	\$30,000	\$42,059
\$30,001 to \$35,000	23	390	\$35,000	\$48,641
\$35,001 to \$40,000	28	418	\$40,000	\$57,908
\$40,001 to \$45,000	20	438	\$45,000	\$65,319

Note:

- 1 There are 769 Business Personal Property Accounts.
- 2 Total current Appraised value of all accounts are \$128,558,040.
- 3 Total tax dollars raised from all accounts was \$1,123,083 in 2011/2012.
- 4 The Average Appraised Value is \$167,176 and average tax is \$1,460.45
- 5 The Median* Appraised Value is \$34,500 and median tax is \$301.39
- 6 30 accounts have an Appraised value of over \$1,000,000.,
which generates a combined Tax dollar amount of \$599,518 or 53% of total tax dollars.

* The Median Appraised Value is a better measure for the typical appraised value.
The Average Appraised Value is influenced by the High Valued accounts.

Highest Valued Business Personal Properties FY2012

Account	Business Name	Location	Code	Appraised Value	Assessed Value 1.2 multiplier	Taxes
028771	BURTON SNOWBOARDS	80 INDUSTRIAL PW	MNF-CO	5,130,940	6,157,128	44,823.89
180504	RAD-BURL LLC	60 BATTERY ST	HTL-MT	4,566,380	5,479,656	39,891.90
024214	BLODGETT CO INC G S	50 LAKESIDE AV	SRV-MN	4,552,360	5,462,832	39,769.42
256394	PHILIPS MEDICAL CAPITAL	111 COLCHESTER AV	SRV-LC	3,826,410	4,591,692	33,427.52
168290	PRICE CHOPPER SUPERMARKET #165	555 SHELburne ST	RET-SM	3,440,430	4,128,516	30,055.60
256544	DEALER DOT COM INC	444 PINE ST	OFF-GN	3,386,750	4,064,100	29,586.65
256519	SEVENTH GENERATION	60 LAKE ST	OFF-GN	3,170,310	3,804,372	27,695.83
124661	LEASING ASSOCIATES OF BARRINGT	111 COLCHESTER AV	SRV-LC	3,082,330	3,698,796	26,927.23
130252	MCCLURE NEWSPAPERS	191 COLLEGE ST	MLT-PR	2,951,050	3,541,260	25,780.37
033069	CHAMPLAIN CHOCOLATE CO	750 PINE ST	WHS-FP	2,646,190	3,175,428	23,117.12
129270	US BANCORP EQUIPMENT FINANCE G	111 COLCHESTER AV	SRV-LC	2,612,200	3,134,640	22,820.18
070003	GE CAPITAL INFORMATION TECH SO	126 INTERVALE RD	SRV-LC	2,520,700	3,024,840	22,020.84
183033	RHINO FOODS	79 INDUSTRIAL PW	WHS-FP	2,281,510	2,737,812	19,931.27
034510	PEOPLES UNITED BANK	2 BURLINGTON SQ	OFF-GN	2,170,840	2,605,008	18,964.46
028242	BURLINGTON HEALTH AND REHAB LL	300 PEARL ST	SRV-HC	2,124,780	2,549,736	18,562.08
072484	GENERAL DYNAMICS ARMAMENT AND	128 LAKESIDE AV	OFF-EG	1,940,560	2,328,672	16,952.73
135526	MERRILL LYNCH PIERCE FENNER	60 LAKE ST	OFF-AC	1,534,790	1,841,748	13,407.93
256323	OLYMPUS AMERICA INC	111 COLCHESTER AV	SRV-LC	1,511,890	1,814,268	13,207.87
134107	MACY'S RETAIL HOLDINGS, INC.	67 CHERRY ST	RET-DD	1,499,550	1,799,460	13,100.07
118010	KOFFEE KUP BAKERY INC	436 RIVERSIDE AV	WHS-FP	1,452,400	1,742,880	12,688.17
047160	DOWNS RACHLIN & MARTIN PC	199 MAIN ST	OFF-LW	1,401,400	1,681,680	12,242.63
155200	ONION RIVER COOPERATIVE	82 SOUTH WINOOSKI AV	RET-SM	1,398,980	1,678,776	12,221.49
256140	SWITCHBACK BREWERY	160 FLYNN AV	SRV-MN	1,373,800	1,648,560	12,001.52
033344	BRUEGGERS ENTERPRISES INC	159 BANK ST	SRV-GN	1,307,270	1,568,724	11,420.31
049554	DWIGHT ASSET MANAGEMENT CO	100 BANK ST	OFF-GN	1,253,620	1,504,344	10,951.62
256616	URBAN OUTFITTERS	25 CHURCH ST	RET-CT	1,196,460	1,435,752	10,452.27
037185	BELL ATLANTIC MOBILE	111 COLCHESTER AV	SRV-TW	1,090,880	1,309,056	9,529.93
256633	BURLINGTON LABORATORIES INC	163 PEARL ST	SRV-GN	1,084,570	1,301,484	9,474.80
256138	HANNAFORD FOOD AND DRUG 161	1127 NORTH AV 12	RET-SM	1,083,590	1,300,308	9,466.24
071468	AMERICAS GARDENING RESOURCE	128 INTERVALE RD	SRV-GN	1,033,270	1,239,924	9,026.65
133942	DELAKE LANDEN OPERATIONAL LLC	52 INSTITUTE RD	SRV-LC	971,010	1,165,212	8,482.74
087680	TD BANK N.A.	111 MAIN ST	OFF-GN	815,960	979,152	7,128.23
173000	QUEEN CITY PRINTERS	701 PINE ST	MLT-PR	695,910	835,092	6,079.47
197040	MESA LEASING	2 COLLEGE ST	REC-BT	682,640	819,168	5,963.54
132015	MACRO INTERNATIONAL INC	126 COLLEGE ST	OFF-GN	654,790	785,748	5,720.25
256577	COURTYARD BURLINGTON HARBOR	25 CHERRY ST	HTL-MT	651,130	781,356	5,688.27
136237	PRIMMER PIPER EGGLESTON & CRAM	150 SOUTH CHAMPLAIN S OFF-LW		602,520	723,024	5,263.61